

Fiscal Note

Fiscal Services Division



SF 366 – Peace Officers Retirement System Disability Benefits (LSB2320SV.1)
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Fiscal Note Version – As amended and passed by the Senate

Description

Senate File 366, as amended and passed by the Senate, relates to the reexamination, recalculation, and offset of an accidental or ordinary disability retirement benefit for a beneficiary under 55 years of age under the Public Safety Peace Officers' Retirement, Accident, and Disability (POR) System.

Background

- Under current law, disability retirees in the POR System under age 55 are permitted total earnings, including disability pension payment and reemployment wages, equal to 1.5 times the current earnable compensation of an active member at the same position on the salary scale as the member's rank held at retirement. If a disability retiree's earnings exceed the limit, the POR System benefits are reduced by the amount the retiree has exceeded the limit or are repaid to the POR Fund by the retiree.
- At age 55, disability retirees are no longer subject to the earnings limit.
- As of February 28, 2015, there are 17 disability retirees under age 55 that may be subject to the retiree earnings limit.
- The following table shows the history of disability retirement benefit repayment amounts at 1.5 times the earnable compensation.

Disability Retirement Benefit Repayment Amounts

| Calendar Year | Amount Over the Earnings Limit | Number of Retirees Impacted |
|---------------|-----------------------------------|--------------------------------|
| 2010 | \$ 28,892 | Two |
| 2011 | 23,706 | One |
| 2012 | 29,912 | One |
| 2013 | 33,542 | One |
| | <u>\$ 116,052</u> | |

- As of July 1, 2014, the POR System had assets totaling \$360.1 million, an unfunded actuarial liability of \$155.8 million, and a funded ratio of 69.80%. There are currently 1,194 members of the POR System, including 578 active members. The average age of an active member is 41.6. The average years of service equal 16.3. The average annual wage of a POR member is \$74,516.
- The Municipal Police and Fire Retirement System (411 System) and the Iowa Public Employees' Retirement System (IPERS) Special Service members have similar earning limitations under Iowa Code sections [411.6\(7\)](#) and [97B.50A\(7\)\(b\)](#), respectively.
- Iowa Code section [97A.6\(11\)](#) requires POR benefits to be offset by any workers' compensation payments made to disability retirees. The Municipal Police and Fire Retirement System (411 System) and the Iowa Public Employees' Retirement System (IPERS) Special Service members have similar offset language under Iowa Code sections [411.6\(10\)](#) and [97B.50A\(5\)](#), respectively.

Assumptions

- The example pay of \$76,500 on the following page is 90.0% of the maximum salary for a Special Agent 2 with Step 3 longevity at retirement (15-19 years of service).
- The fiscal impact of this legislation will vary depending on the situation of each eligible retiree.
- The impact to the POR System will vary from year to year depending on the number of retirees subject to the change and how much each eligible person earns. The example retiree will be allowed to increase total earnings from \$114,750 to \$191,250 before POR benefits will be reduced or repayments will be required. This is illustrated in the following table.

Comparison for Proposed Increase in Disability Retiree Earnings Limit

| | Current Law | Proposed Law |
|---|-------------|--------------|
| Wages based on active member with same rank as retiree | \$ 76,500 | \$ 76,500 |
| Multiplier per section 97A.6 (Iowa Code) | 1.5 | 2.5 |
| Benefits and earnings maximum | \$ 114,750 | \$ 191,250 |
| Maximum disability retiree earnings (pension and employment) | \$ 114,750 | \$ 191,250 |
| Average annual benefit for accidental disability | -45,000 | -45,000 |
| Earnings from employment without any reduction to POR benefit | \$ 69,750 | \$ 146,250 |

- There are currently three POR System beneficiaries that will receive increased POR benefits by removing Iowa Code section [97A.6](#)(11); however, additional employees may be eligible.

Fiscal Impact

[Senate File 366](#), as amended and passed by the Senate, has no impact to the State General Fund.

The following table shows the difference between the historic disability retirement benefit repayments at 1.5 times earnable compensation compared to the proposed 2.5 times earnable compensation limit. The difference will result in a reduction of repayments to the POR Fund of approximately \$29,000 per year.

Disability Retirement Benefit Repayment Amounts

| Calendar Year | Amount Over the 1.5 Earnings Limit | Number of Retirees Impacted | Amount Over the 2.5 Earnings Limit |
|----------------|---------------------------------------|--------------------------------|---------------------------------------|
| 2010 | \$ 28,892 | Two | \$ 0 |
| 2011 | 23,706 | One | 0 |
| 2012 | 29,912 | One | 0 |
| 2013 | 33,542 | One | 0 |
| | <u>\$ 116,052</u> | | <u>\$ 0</u> |
| 4-year average | \$ 29,013 | | |

The fiscal impact of striking Iowa Code section [97A.6](#)(11) will increase the number of payments made from the Workers' Compensation Fund. Under current law, disability retirees do not typically file for worker's compensation benefits because those payments offset the pension payments in an equal amount. With the change in this Bill as amended, disability retirees will be able to receive their full disability pension amount and an amount determined for worker's compensation benefits. The pension amount will no longer be reduced in a corresponding amount. However, the number of disability retirees that will utilize this new provision and the amount of benefits paid is unknown and cannot be estimated at this time.

Sources

Department of Public Safety
Department of Administrative Services

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
